

Finance Committee

HB 2988

Brief Description: Modifying the authorized uses of certain county sales and use taxes.

Sponsors: Representatives McIntire, Upthegrove, Haler and Clibborn.

Brief Summary of Bill	
•	Removes the restrictions that limit the purposes for which the 0.3 percent county public safety tax proceeds may be used.

Hearing Date: 1/25/06

Staff: Mark Matteson (786-7145).

Background:

Retail sales and use tax. The retail sales tax applies to the selling price of tangible personal property and of certain services purchased at retail. The use tax is imposed on taxable items and services used in the state that were not subject to the retail sales tax, and includes purchases made in other states and purchases from sellers who do not collect Washington sales tax. Sales tax is paid by the purchaser and collected by the seller. Use tax is paid directly to the Department of Revenue.

There are both state and local sales and use taxes. At the state level, the taxes are imposed at a 6.5 percent rate by the state. All cities and counties are required to impose a 0.5 percent basic tax for general purposes. There are a number of other local optional taxes, most of which are required to be used for specific purposes. These include:

Summary of Local Sales Tax Authorities

No. jrsdctns State-

<i>Rate</i>	<i>Purpose</i>	<i>Authority</i>	<i>levied by</i>	<i>sh'd?</i>		
0.5%	general purposes	city, county	313	N		
0.1 - 0.9%	transit	county, PTBA	24	N		
1.0%	high capacity transit	RTA	1	N		
0.1%	criminal justice	County (proceeds shared)	32	N		
0.2%	public facilities	PFD	1	N		
0.1%	juvenile correction	County	14	N		
0.5%	food/beverage tax (King Co.)	King County	1	N		
0.017%	baseball stadium (King Co.)	King County	1	Y		
0.016%	football stadium (King Co.)	King County	1	Y		

0.08%	rural counties	Rural county	32	Y	
0.1%	zoo/aquarium	Metro Park District	1	N	
0.033%	regional centers	PFD	19	Y	
0.1%	emergency communications	County	6	N	
0.5%	regional transportation	RTID	0	N	
0.4%	passenger ferries	PTBA	0	N	
0.3%	public safety	County (proceeds shared)	3	N	

The 0.3 percent "public safety" optional tax for counties was enacted in 2003. The tax allows counties, subject to voter approval, to impose an additional local tax of up to 0.3 percent. The tax applies to the same tax base as the state tax of 6.5 percent, with the exception of the retail sale or use of motor vehicles and leases of motor vehicles, which are specifically exempt. One-third of the tax proceeds is required to be used for criminal justice purposes, including additional police protection, mitigation of congested court systems, and relief of overcrowded correctional facilities. Proceeds are prohibited from being used to supplant existing funds dedicated to the same purposes for which a county imposes the tax. Of the proceeds, two fifths must be distributed to cities within the county on a per capita basis.

Requirements regarding non-supplanting of existing funds. A number of taxes include provisions that prohibit the levying jurisdiction from using proceeds to supplant existing funding for the purposes for which tax proceeds may be used. The purpose of such provisions is to ensure that the purpose for which tax proceeds are used is funded at a greater level than prior to the imposition of the tax.

In December 2005, the Attorney General's Office provided an informal opinion in response to an inquiry from the Yakima County prosecuting attorney concerning the non-supplanting provisions of the 0.3 percent public safety local sales and use tax, which the county imposed beginning April 2005. Specifically, the prosecutor's concern was whether a county imposing such a tax could reduce the budgets of departments and agencies eligible to receive the proceeds from the tax and then use the proceeds to restore the budgets to pre-existing levels. In the letter, the assistant attorney general disagreed with such an interpretation, finding that the funding from the tax could be used only to increase funding among eligible programs above the level at the point the voters approved the tax.

Summary of Bill:

The 0.3 percent public safety local sales and use tax is modified, removing the restriction regarding the non-supplanting of existing funds and removing the requirement that one-third of all moneys be used for criminal justice purposes.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.